

## Message Text

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50/43

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 EB-11 COME-00 TRSE-00 DRC-01 /127 W

----- 008697

R 051120Z MAR 74

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 2051

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS BRASILIA 1454

C O R R E C T E D C O P Y (PARA 4, LINE 4: 2 PERCENT VICE 12  
PERCENT)

E.O. 11652: N/A

TAGS: AFIN, BR

SUBJECT: SPEECH BY PRESIDENT MEDICI

1. PRESIDENT MEDICI ON MARCH 2, 1974, ADDRESSING OPENING  
SESSION OF NATIONAL CONGRESS FOR LAST TIME IN HIS PRESIDENCY  
FOCUSED HIS SPEECH ON ECONOMIC PROGRESS ACHIEVED DURING HIS  
ADMINISTRATION OF LAST FIVE YEARS. FOLLOWING IS SUMMARY OF  
MAJOR POINTS CONTAINED IN HIS ADDRESS.

2. GROWTH. GROSS DOMESTIC PRODUCT (GDP) IN 1973  
INCREASED BY 11.4 PERCENT, BRINGING TOTAL REAL GROWTH FOR FIVE-  
YEAR PERIOD 1969-1973 TO 63 PERCENT. THESE RESULTS PERMITTED  
PER CAPITA INCOME TO RISE BY 40 PERCENT OVER SAME PERIOD.

3. INFLATION CONTROL. BRAZIL MADE CONSIDERABLE PROGRESS  
TOWARD CONTAINING INFLATION. ANNUAL RATE OF INFLATION  
DECREASED FROM 24.2 PERCENT IN 1969 TO 13.7 PERCENT IN 1973.  
MEDICI NOTED IN THIS REGARD CONTRIBUTION MADE BY DECREASING  
BUDGET DEFICITS, CITING FACT THAT IN 1973 CENTRAL GOVERNMENT  
CASH BUDGET SHOWED SURPLUS FOR FIRST TIME IN 22 YEARS.

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4. TOTAL DOMESTIC FIXED INVESTMENTS. PRESIDENT INDICATED THAT TOTAL FIXED DOMESTIC CAPITAL FORMATION NOW AMOUNTS TO ABOUT 22 PERCENT OF GDP AS AGAINST 13-16.5 PERCENT IN 1950S. ABOUT 2 PERCENT OF THIS INVESTMENT IS CURRENTLY FINANCED BY FOREIGN SAVINGS. MEDICI STRESSED POSITIVE CONTRIBUTION MADE BY FOREIGN CAPITAL TOWARD BRAZIL'S ECONOMIC PROGRESS.

5. EXPORTS. VALUE OF EXPORTS TRIPLED BETWEEN 1969 AND 1973. REACHING 6.2 BILLION. MEDICI NOTED IMPORTANCE OF EXPORTS FOR ECONOMIC GROWTH AND SAID THAT BRAZIL HAS THE POTENTIAL OF BECOMING A PRINCIPAL SUPPLIER OF FOODS AND PRIMARY PRODUCTS TO WORLD ECONOMY. FAVORABLE EXPORT PERFORMANCE PERMITTED BRAZIL'S OFFICIAL RESERVES AT END 1973 TO REACH 6.4 BILLION.

6. AGRICULTURE. TOTAL AGRICULTURAL OUTPUT WENT UP BY 28 PERCENT BETWEEN 1969 AND 1973. PRESIDENT SAID AGRICULTURAL PRODUCTS ACCOUNTED FOR 70 PERCENT OF BRAZIL'S EXPORTS EITHER AS PROCESSED OR UNPROCESSED PRODUCTS.

7. HOUSING. MEDICI NOTED PROGRESS MADE TO DATE AND SAID DURING NEXT 10 YEARS COUNTRY NEEDS ADDITIONAL 2 MILLION HOUSING UNITS FOR AVERAGE INCOME FAMILIES. HE SAID SUCH AS INVESTMENT WOULD COST CR\$31 BILLION (ABOUT US \$5 BILLION).

8. SOCIAL INTEGRATION. PRESIDENT REVIEWED PROGRESS OF GOVERNMENT'S SOCIAL INTEGRATION PROGRAM WHOSE MAIN OBJECTIVE IS TO INCREASE WORKERS' PARTICIPATION IN ECONOMIC PROGRESS. THIS PROGRAM IS FINANCED WITH MONEY DISTRIBUTED BY TWO FUNDS, ONE FOR PRIVATE SECTOR EMPLOYEES (PIS) AND ONE FOR PUBLIC EMPLOYEES (PASEP). MEDICI NOTED THAT PIS HAS ACCUMULATED TO DATE CR\$4,0 BILLION AND A MEMBERSHIP OF 11.5 MILLION AND THAT BY 1975 THE TOTAL AMOUNT IN THIS FUND CAN REACH CR\$9.0 BILLION. PASEP, ON THE OTHER HAND, HAS ACCUMULATED CR\$3,0 BILLION FOR ABOUT 3 MILLION BENEFICIARIES. BY 1975 THIS FUND SHOULD HAVE CR \$8 BILLION.

9. COMMENT. PRESIDENT MEDICI'S SPEECH CONTAINED NO UNCLASSIFIED

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NEW INFORMATION AND WAS OBVIOUSLY DESIGNED TO REFLECT THE SITUATION RATHER OPTIMISTICALLY. SPEECH MAKES NO MENTION OF A NUMBER OF PROBLEMS AREAS, SUCH AS INCOME DISTRIBUTION. ALSO IN NOTHING PROGRESS IN AGRICULTURAL SECTOR, PRESIDENT DOES NOT MENTION THAT AGRICULTURE LAGGED BEHIND THE REST OF THE ECONOMY DURING THE PAST FIVE YEARS.  
CRIMMINS

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